

Michael Sullivan
Public Hearing Testimony, Housing Committee, February 28, 2023

Testimony in support of
Senate Bill 4, An Act Concerning Connecticut's Present and Future Housing Needs

I urge the Housing Committee to pass Senate Bill 4, with significant revisions to improve its effectiveness in limiting rent increases and address flaws in the bill's rent cap formula.

Senate Bill proposes an ineffective rent cap formula that, if implemented in 2001, would have allowed for cumulative rent increases at nearly three times the actual rate of increase in median rent in Connecticut over the last two decades. The bill allows for annual increases of 4%, plus the inflation rate for Northeast states. Between 2000 and 2019, this formula would have allowed rent to grow by 211%, though the actual median contract rent in Connecticut increased by 72% over this period, according to census estimates.¹ By 2019, median renters in Connecticut could have been paying **81% more than their actual rent** under the bill's rules, or about \$9,800 more per year. Since it allows for increases beyond the historic dreams of landlords in the real world, it offers little meaningful relief for average renters.

Loopholes in the bill provide incentives for landlords to evict tenants just so they can raise rents, and ensure that over the long-term, they can hike rents by as much as they want. The proposal would allow for unlimited rent increases whenever previous tenants leave. The bill also lacks a "good cause" eviction protection for tenants, which means that landlords could easily evade the bill's toothless cap by evicting tenants whenever they want to raise the rent by more than the bill allows for those tenants. The proposal would also allow for unlimited rent hikes for new buildings in their first 15 years, providing an incentive for housing developers to drive up costs that are out of pace with the incomes of typical renters.

The bill's flawed inflation adjustment is based on a circular logic that justifies future spiraling rental costs based on past spiraling rental costs. In addition to a 4% fixed, annual increase, the proposal would use the Consumer Price Index (CPI) for the Northeast Region to further adjust its rent cap upward for inflation. However, changes in the cost of shelter, including rent, make up one-third of the formula (34%) of the CPI.² So recent rent spikes will feed spikes in the next year, in a toxic cycle of escalating costs.

Median rent in Connecticut has grown at nearly twice the rate of renter incomes over the last two decades, while landlord income has soared, according to census estimates. With a toothless cap that allows for enormous rent hikes, this bill will continue to feed this inequality. Over the past two decades, through the five-year period of 2017 to 2021, total residential rent income for landlords grew by a stunning 32%, while median household income for renters dropped by 13%, adjusted for inflation.³ The median renter household in Connecticut earns only about \$45,000 per year, less than half (41%) of the income of homeowners.⁴ As a result of these rising costs that are out of pace with wages, more than half

of tenants in Connecticut can't afford their rent, spending more than 30% of their income on housing.⁵

There are better ways to limit rent increases that also allow landlords to keep pace with inflation. With an annual cap of no more than 3% on rent increases, landlords can expect that their income can keep pace with inflation over the long term. Over the last 30 years, annual, U.S. CPI inflation averaged 2.5%, even including recent spikes.⁶ In addition, annual increases in median rent in Connecticut over the 2010s did not exceed 3% and averaged 2.1%, according to census estimates.⁷ Such a rent cap would simply limit extreme increases that are far out of pace with wages. To be effective, legislators should also:

- Add a good cause eviction protection that allows landlords to evict tenants only when there is justification, such as not paying rent or violating the lease.
- Maintain the bill's strong rent freeze protection during public health emergencies.⁸
- Limit rent increases in apartments in between tenants to keep rent affordable over the long-term.
- Include limits for newly constructed affordable housing, where tenants in income-restricted apartments are being priced out by sudden and unaffordable increases.

Michael Sullivan
West Hartford CT

¹ Bureau of Labor Statistics (2022). Consumer Price Index for All Urban Consumers: All Items in Northeast. Series CUUR0100SA0. 12 month change, September to September. The bill requires use of the CPI as reported in October, which is the 12 month rate for September. U.S. Census Bureau (2022). Median Contract Rent, 2021, American Community Survey 1-year estimates. Table B25058. U.S. Census Bureau (2000). Median Contract Rent, 2000 Decennial Census, Table H056.

² Bureau of Labor Statistics (2023). Measuring Price Change in the CPI: Rent and Rental Equivalence. <https://www.bls.gov/cpi/factsheets/owners-equivalent-rent-and-rent.htm>. Shelter costs are based on rent of primary residence and estimates from homeowners of what they would charge for their home if they rented it. It does not measure the purchase price of homes or mortgage costs. The CPI for the Northeast is based on the U.S. CPI. Estimate for December 2022.

³ U.S. Census Bureau (2022). Aggregate Contract Rent, 2017-2021, American Community Survey 5-year estimates. Table B25060. U.S. Census Bureau (2000). Aggregate Contract Rent, 2000 Decennial Census, Table H058. U.S. Census Bureau (2000). Median Household Income in 1999 (Dollars) by Tenure, 2000 Decennial Census, Table HCT012. U.S. Census Bureau (2022). Median Household Income the Past 12 Months by Tenure, 2017-2021, American Community Survey 5-year estimates. Table B25119. Bureau of Labor Statistics (2022). Adjusted for inflation using Consumer Price Index for all Urban Consumers Retroactive Series (R-CPI-U-RS). Annual average.

⁴ U.S. Census Bureau (2022). Median Household Income the Past 12 Months by Tenure, 2017-2021, American Community Survey 5-year estimates. Table B25119.

⁵ U.S. Census Bureau (2022). Selected Housing Characteristics, 2017-2021 American Community Survey 5-year estimates. Table DP04. Housing costs in this measure include rent and utilities.

⁶ Bureau of Labor Statistics (2022). CPI for All Urban Consumers (CPI-U), All Items in U.S. City. Series CUUR0000SA0. Annual average, 1993-2022.

⁷ U.S. Census Bureau (2022). Median Contract Rent, 2010-2019, American Community Survey 1-year estimates. Table B25058. Annual increases for 2011 through 2019.

⁸ The bill would prevent rent increases during any public health emergency declared pursuant to state law. Governor Lamont declared such an emergency in March 2020. <https://portal.ct.gov/-/media/Office-of-the-Governor/News/20200310-declaration-of-civil-preparedness-and-public-health-emergency.pdf>